

**TRANSFER OF SPENDING ALLOCATION FOR THE
2005-2007 TRANSPORTATION BUDGET**

BRIEFING PAPER

Prepared for the
October 2005 Transportation Commission Meeting

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PURPOSE:

The purpose of this agenda item is to provide an overview and discuss legislative direction for the transfer of spending allocation for the 2005-2007 Transportation Budget.

ACTION/OUTCOME:

Information and discussion only. No formal action is expected or required.

BACKGROUND:

There are several reasons for proposing transfers to spending allocation and project expenditure plans. As individual projects progress in design and construction, circumstances will sometimes dictate that adjustments be made to spending schedules. Some of these adjustments will be for administrative and expenditure timing reasons within a broader project schedule such that there will be no impact on critical start or complete dates. Others may require adjustment to critical dates. These might arise from obstacles in environmental permitting or from the opportunity to achieve savings or avoid costs from coordination between projects or with the projects of individual communities.

Project changes will continue to occur given the dynamic nature of delivering transportation infrastructure projects. Too many variables and risks exist to expect other wise. We recognize that communicating and managing these variables and risks is the key to successful delivery. The other key is being able to make the common sense business decisions that lead to efficient delivery and efficient use of funds when changes occur.

The 2003-2005 Transportation Budget (ESHB 1163) enacted by the Legislature provided funding for over 1,000 projects. This funding appropriation, for both new revenue (2003 Transportation Funding Package) and pre-existing revenue (Current Law) were programmatic, but the Legislature also delineated specific lists of projects along with expenditure plans and schedules. The project lists are referenced in the budget bill and were transmitted to the Legislative Evaluation and Accountability Program Committee.

The 2003-2005 Transportation Budget did not provide specific delegation to the Commission or Department to execute unprogrammed projects, make adjustments to the program or transfer spending allocations.

In the 2004 Supplemental Transportation Budget (ESHB 2474), the Legislature authorized the Transportation Commission to transfer spending allocations for highway and ferry projects on the 2003 Transportation Project New Law List. The full text of this proviso is shown below.

***NEW SECTION. Sec. 503.** (1) The transportation commission may authorize a transfer of spending allocation within the appropriation provided and between projects as listed in the Legislative 2003 Transportation Project List - New Law to manage project spending near biennial cutoffs under the following conditions and limitations:*

(a) Transfers from a project may be made if the funds allocated to the project are in excess of the amount needed to complete the project, but transfers may only be made in the biennium in which the savings occur;

(b) Transfers from a project may not be made as a result of the reduction of the scope of a project, nor shall a transfer be made to support increases in the scope of a project;

(c) Transfers may be made within the current biennium from projects that are experiencing unavoidable expenditure delays, but the transfers may only occur if the commission finds that any resulting change to the nickel program financial plan provides that all projects on the list may be completed as intended by the legislature; and

(d) Transfers may not occur to projects not identified on the list.

A summary of the criteria established in the budget bill, highlighting the funding impacts, the project impacts and the reporting requirements associated with these transfers are as follows:

Funding Impacts

- (1) Transfers from a project may be made if the funds allocated to the project are in excess of the amount needed to complete the project;
- (2) Transfers may only be made in the biennium in which the project savings occur; and
- (3) Transfers may only be made if they do not impact the nickel program financial plan and enable all projects on the list to be completed as intended by the Legislature.

Project Impacts

- (1) Transfers from a project may not be made as the result of the reduction of the scope of a project or to increase the scope of a project; and
- (2) Transfers may not occur to projects that are not identified on the 2003 Transportation Project List.

Reporting Requirements

The Department must report quarterly to the Legislature regarding the status of each project on the current law and new law project lists. The reports must include a summary of project scope, schedule and costs.

In the 2005-2007 Transportation Budget (ESSB 6091), the Legislature updated and made slight revisions to the proviso language regarding transfers of spending allocation. The full text of this proviso is shown below.

NEW SECTION. Sec. 603 *(1) The transportation commission may authorize a transfer of spending allocation within the appropriation provided and between projects funded with transportation 2003 account (nickel account) appropriations or the transportation partnership account appropriations to manage project spending and efficiently deliver all projects in the respective program under the following conditions and limitations:*

(a) Transfers from a project may be made if the funds allocated to the project are in excess of the amount needed to complete the project;

(b) Transfers from a project may be made if the project is experiencing unavoidable expenditure delays;

(c) Transfers from a project may not be made as a result of the reduction of the scope of a project, nor shall a transfer be made to support increases in the scope of a project;

(d) Each transfer between projects may only occur if the commission finds that any resulting change will not hinder the completion of the projects approved by the legislature; and

(e) Transfers may not occur to projects not identified on the applicable project list.

(2) A report of the transfers shall be submitted on October 1st of each fiscal year to the senate and house of representatives transportation committees.

A summary of the criteria established in this new budget bill, highlighting the funding impacts, the project impacts and the reporting requirements associated with these transfers are as follows:

Funding Impacts

- (1) Transfers from a project may be made if the funds allocated to the project are in excess of the amount needed to complete the project; and
- (2) Transfers may only be made if the Commission finds that any resulting change will not hinder the completion of the projects approved by the legislature.

Project Impacts

- (1) Transfers may be made from a project experiencing unavoidable delays;
- (2) Transfers from a project may not be made as the result of the reduction of the scope of a project or to increase the scope of a project; and
- (3) Transfers may not occur to projects that are not identified on the applicable project lists.

Reporting Requirements

A report of transfers shall be submitted on October 1st for each fiscal year to the senate and house of representatives transportation committees.

DISCUSSION:

When comparing the versions of this text, it shows that the legislature has maintained the original intent. However, there are some noteworthy modifications and revisions. These modifications and revisions are as follows:

- Includes both Nickel and Transportation Partnership Account projects;
- Applies to all Capital Projects shown on the LEAP Lists (previously only Highway and Ferry Capital);
- Removes reference to transfers for savings within biennium in which they occurred; and

- Clarifies that the Commission will make an annual report of transfers.

The Department has brought the Commission proposed transfers of spending allocation since the quarter ending March 31, 2004. With the revised proviso, the Department will continue to bring proposed transfers to the Commission on a quarterly basis, beginning next month for the quarter ending September 30, 2005.

RECOMMENDATION:

No action is required.

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